

FilmLA

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2024

FilmLA
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

CONTENTS

	Page
Independent Auditor's Report.....	1
Statements of Financial Position	3
Statements of Activities.....	4
Statement of Functional Expenses	5
Statements of Cash Flows.....	6
Notes to Financial Statements	7



WE ARE AN INDEPENDENT MEMBER OF
THE GLOBAL ADVISORY
AND ACCOUNTING NETWORK

**AUDIT
AND
ASSURANCE**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
FilmLA

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of FilmL.A., Inc. dba FilmLA (the Organization or FilmLA), which comprise the statement of financial position as of June 30, 2024, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of FilmLA as of June 30, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of FilmLA and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about FilmLA's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of FilmLA's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about FilmLA's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited FilmLA's June 30, 2023 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 25, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Green Hasson & Janks LLP

October 13, 2024
Los Angeles, California

FilmLA

STATEMENTS OF FINANCIAL POSITION

June 30, 2024

With Summarized Totals at June 30, 2023

ASSETS	<u>2024</u>	<u>2023</u>
Cash and Cash Equivalents	\$ 2,082,495	\$ 893,946
Investments	13,980,328	13,878,967
Accounts Receivable	1,038,981	460,866
Prepaid Expenses and Other Assets	293,285	409,752
Right-of-Use Assets	228,291	386,061
Property and Equipment (Net)	<u>995,309</u>	<u>1,392,897</u>
TOTAL ASSETS	<u><u>\$ 18,618,689</u></u>	<u><u>\$ 17,422,489</u></u>
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts Payable and Accrued Expenses	\$ 1,410,675	\$ 1,357,106
Due to Contracted Permitting Authorities	2,591,529	1,249,214
Due to Permittees	760,839	895,124
Lease Liabilities	<u>229,315</u>	<u>578,432</u>
TOTAL LIABILITIES	4,992,358	4,079,876
NET ASSETS:		
Without Donor Restrictions:		
Undesignated	6,009,618	6,009,616
Board Designated:		
Capital Expenditures Reserves	1,000,000	1,000,000
Operating Reserves	<u>6,616,713</u>	<u>6,332,997</u>
TOTAL NET ASSETS	<u>13,626,331</u>	<u>13,342,613</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 18,618,689</u></u>	<u><u>\$ 17,422,489</u></u>

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF ACTIVITIES

Year Ended June 30, 2024

With Summarized Totals for the Year Ended June 30, 2023

	2024	2023
REVENUES:		
Permit Operations	\$ 7,176,921	\$ 8,158,499
Field Services	3,317,442	4,200,423
School Licenses	157,255	218,215
Other Income	10,870	11,144
TOTAL REVENUES	10,662,488	12,588,281
EXPENSES:		
Program Services	10,414,818	11,373,819
Management and General	1,580,689	1,385,404
TOTAL EXPENSES	11,995,507	12,759,223
CHANGE IN NET ASSETS BEFORE INVESTMENT RETURN (NET)	(1,333,019)	(170,942)
Investment Return (Net)	1,616,737	1,320,964
CHANGE IN NET ASSETS AFTER INVESTMENT RETURN (NET)	283,718	1,150,022
Net Assets - Beginning of Year	13,342,613	12,192,591
NET ASSETS - END OF YEAR	\$ 13,626,331	\$ 13,342,613

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENT OF FUNCTIONAL EXPENSES Year Ended June 30, 2024 With Summarized Totals for the Year Ended June 30, 2023

	2024				Support Services		2023 Total
	Program Services			Total Program Services	Management and General	Total	
	Film Permit Coordination	Field Services	Outreach Services				
Personnel Costs	\$ 3,871,819	\$ 2,331,256	\$ 1,421,804	\$ 7,624,879	\$ 1,038,094	\$ 8,662,973	\$ 9,217,414
Depreciation and Amortization	500,148	193,915	86,280	780,343	88,888	869,231	1,035,534
Information Technology	508,626	156,346	47,126	712,098	90,766	802,864	949,850
Professional Fees	361,167	90,569	30,153	481,889	271,703	753,592	260,543
Occupancy	259,481	107,064	48,958	415,503	46,869	462,372	786,085
Insurance	99,604	64,956	20,720	185,280	16,419	201,699	182,453
Marketing, Memberships and Meetings	16,019	97,132	40,683	153,834	15,844	169,678	233,028
Office Expenses	10,478	49,169	1,345	60,992	12,106	73,098	94,316
TOTAL 2024 FUNCTIONAL EXPENSES	\$ 5,627,342	\$ 3,090,407	\$ 1,697,069	\$ 10,414,818	\$ 1,580,689	\$ 11,995,507	
TOTAL 2023 FUNCTIONAL EXPENSES	\$ 6,046,308	\$ 3,773,282	\$ 1,554,229	\$ 11,373,819	\$ 1,385,404		\$ 12,759,223

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

STATEMENTS OF CASH FLOWS

Year Ended June 30, 2024

With Summarized Totals for the Year Ended June 30, 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in Net Assets	\$ 283,718	\$ 1,150,022
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by (Used in) Operating Activities:		
Credit Loss Expense	15,101	9,958
Depreciation and Amortization	869,231	1,035,534
Net Realized and Unrealized Gain on Investments	(1,240,334)	(927,065)
(Increase) Decrease in:		
Accounts Receivable	(593,216)	1,429,051
Prepaid Expenses and Other Assets	116,467	(10,787)
Right-of-Use Assets	(122,491)	559,228
Increase (Decrease) in:		
Accounts Payable and Accrued Expenses	53,569	(208,024)
Due to Contracted Permitting Authorities	1,342,315	(3,256,160)
Due to Permittees	(134,285)	(625,410)
Lease Liabilities	(68,856)	(824,421)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	521,219	(1,668,074)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(471,643)	(709,999)
Net Proceeds from Sale of Investments	1,138,973	2,559,979
NET CASH PROVIDED BY INVESTING ACTIVITIES	667,330	1,849,980
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,188,549	181,906
Cash and Cash Equivalents - Beginning of Year	893,946	712,040
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 2,082,495	\$ 893,946

SUPPLEMENTAL SCHEDULE OF NON-CASH OPERATING ACTIVITIES:

Non-Cash Impact of Recognition of Operating Leases per Accounting Standards Update No. 2016-02, *Leases*

Increase in Right of Use Asset	\$ 280,261	\$ 945,289
Increase in Lease Liability	(280,261)	(1,402,853)

The Accompanying Notes are an Integral Part of These Financial Statements

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 1 - NATURE OF ORGANIZATION

FilmL.A., Inc. dba FilmLA (the Organization or FilmLA) is a nonprofit 501(c)(4) public benefit corporation, organized for public purposes under the California Nonprofit Public Benefit Corporation Law.

In recognition of the importance of film and media production to the Southern California regional economy, FilmLA was formed in 1995 in an effort to enhance film and media production and to attract and retain jobs.

FilmLA supports efforts to retain film and media production in the region by:

- Providing efficient film permit coordination services.
- Serving as a resource for, and a liaison and mediator between, diverse communities and the production industry and local governments on film and media issues to mitigate the impact filming may have on the local residents and merchants.
- Creating opportunities and programs for enhancing, improving and addressing needs relating to the film and media production industry.

FilmLA has contracts with multiple governmental entities ("permitting authorities") including the City of Los Angeles and the County of Los Angeles. FilmLA contracts with each permitting authority with varying terms and expiration dates.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) BASIS OF PRESENTATION

The accompanying financial statements have been prepared on the accrual basis of accounting.

(b) NET ASSETS

Net assets, revenues, gains, and losses are presented based on the existence or absence of donor-imposed restrictions. Accordingly, all net assets and changes therein are classified and reported as follows:

- **Net Assets Without Donor Restrictions.** Net assets available for use in general operations and not subject to donor-imposed restrictions. The governing board has designated, from net assets without donor restrictions, net assets for operating reserves and board-designated capital expenditures reserves (see Note 11).
- **Net Assets With Donor Restrictions.** Net assets subject to donor-imposed restrictions. None of FilmLA's assets were subject to donor-imposed restrictions at June 30, 2024.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) CASH AND CASH EQUIVALENTS

FilmLA considers all highly liquid investments with an original maturity of three months or less at purchase to be cash and cash equivalents. The carrying value of cash and cash equivalents at June 30, 2024 approximates its fair value. FilmLA has contracts with various permitting authorities that require cash reserves as determined by the contracts. Required cash reserves at June 30, 2024 were \$1,943,698.

FilmLA maintains its cash and cash equivalents in bank deposit and money market accounts, which, at times, may exceed federally insured limits. FilmLA has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

(d) INVESTMENTS

Investments in marketable securities with readily determinable fair values and all investments in debt securities are reported at fair value. Investment purchases and sales are accounted for on a trade-date basis. Interest income is recorded as earned on an accrual basis, and dividend income is recorded based upon the ex-dividend date. Realized gains and losses are calculated based upon the underlying cost of the securities traded. Unrealized gains and losses are included in investment return in the statements of activities and represent the change in the difference between the cost and fair value of investments held at the end of the fiscal year.

(e) ACCOUNTS RECEIVABLE

Accounts receivable are recorded when billed or accrued and represent claims against third parties that will be settled in cash. The carrying value of receivables, net of the allowance for credit losses, if any, represents their estimated net realizable value.

FilmLA closely monitors accounts receivable and estimates the allowance for credit losses when lifetime credit losses are expected by management. The estimation of the allowance is based on an analysis of historical loss experience and management's assessment of current conditions and reasonable and supportable expectation of future conditions. FilmLA assesses collectability by pooling receivables where similar characteristics exist and evaluates receivables individually when specific customer balances do not share similar risk characteristics with the pools. Past due receivable balances are written-off when internal collection efforts have been unsuccessful in collecting the amount due. As of June 30, 2024, accounts receivable are deemed fully collectible by the management of FilmLA.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments include primarily cash and cash equivalents, accounts receivable, prepaid expenses and other assets, accounts payable, due to contracted permitting authorities, and due to permittees. Due to the short-term nature of these items, the carrying amounts approximate their fair value.

(g) PROPERTY AND EQUIPMENT

Property and equipment are recorded at cost if purchased or at fair value at the date of donation if donated. Depreciation is computed on the straight-line basis over the estimated useful lives of the related assets. Maintenance and repair costs are charged to expense as incurred. Property and equipment are capitalized if the cost of an asset is greater than or equal to \$2,500 (purchased individually, or as a group of similar assets) and the useful life is greater than one year.

The estimated useful lives of property and equipment are as follows:

Software and Development Costs	3 Years
Computer Equipment	3 Years
Office Equipment	3 - 5 Years
Furniture and Fixtures	3 - 7 Years
Leasehold Improvements	Shorter of the Lease Term or Estimated Life of the Improvement

Software and development costs related to the permitting system have been capitalized or expensed in accordance with accounting standards on internal-use software development capitalization.

(h) LONG-LIVED ASSETS

The Organization evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. An impairment loss is recognized when the sum of the undiscounted future cash flows is less than the carrying amount of the asset, in which case a write-down is recorded to reduce the related asset to its estimated value. During the year ended June 30, 2024, FilmLA did not recognize any impairment expense.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) DUE TO PERMITTEES

Due to permittees represents amounts that FilmLA expects to refund to its customers, in accordance with the terms and conditions of the film permits, when the actual amount that FilmLA is billed by the permitting authorities for fees related to an individual permit is less than the amount estimated by the permitting authorities at the time the permit is issued. Following the completion of the permit activity, the permitting authorities bill FilmLA for the actual service fees related to each permit. The amount FilmLA actually pays the permitting authorities in connection with an individual permit may be less or more than the estimated amount collected from the customer. When FilmLA charges its customers more than what it finally pays the permitting authorities, FilmLA will refund the difference to the permittee in accordance with the terms and conditions of the film permit. Excess estimated service fees are recognized as permit operations revenue in the period following lapse of the refund request requirement, which is 90 days after the end of filming, or later if final charges are received late. If the excess estimated service fee is less than \$200, revenue is recognized in the period permitting authorities bill FilmLA for the actual charges. FilmLA utilizes unrequested refunds to support its 501(c)(4) public benefit purpose, including, but not limited to, areas such as enhancing the film permitting process, marketing and promoting filming in the Greater Los Angeles region, student film projects, research and education about filming and any other uses that promote film production.

During the year ended June 30, 2024, FilmLA recognized \$554,762 for unrequested refunds, which is included in permit operations in the accompanying statements of activities. Unrequested refunds represented 5,318 permits with an average unclaimed refund amount of \$104.32 for the year ended June 30, 2024.

(j) DUE TO CONTRACTED PERMITTING AUTHORITIES

Due to contracted permitting authorities represent amounts that FilmLA estimates it will become obligated to pay permitting authorities for fees incurred in connection with filming activities conducted by FilmLA's customers. Prior to releasing a permit, FilmLA collects from its customers the total amount it charges for the permit. The total collected includes the permitting authorities' estimates of certain fees relating to the permit. Following completion of the associated permit activity, the permitting authorities submit invoices to FilmLA for the actual fees and services incurred, which are based on the actual filming activity for that permit.

Permitting authorities historically invoice FilmLA within one to six months from the date of permit issuance. FilmLA is required to remit payment for service fees to the permitting authorities within thirty to sixty days of invoice receipt from the permitting authorities. FilmLA estimates the liability to contracted permitting authorities based on the invoiced permits.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) REVENUE RECOGNITION

Revenue from contracts with customers include permit application fees and field service fees. Each are comprised of an exchange element that is satisfied as benefits are transferred to the customer. Performance obligations for permit application fees consist of providing a filming permit to the customer. As a result, revenues for the performance obligation are recognized at a point in time, when the permit is distributed to the customer, which is instantaneously. The service does not create an asset with an alternative use for FilmLA. Revenues derived from field service fees consist of distributing filming notifications prior to filming and film monitoring services during the course of a filming session. As these sessions range between a few hours to a few days, revenues from these contracts are recognized over-time, as the session occurs and the service is consumed. Excess estimated service fees are recognized as revenue in the period following lapse of the refund request period. There are no contract assets or liabilities for revenues with contracts from customers at June 30, 2024 or 2023. Accounts receivable from contracts with customers amounted to \$1,038,981 and \$460,866 as of June 30, 2024 and 2023, respectively.

(l) FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing FilmLA's programs and other activities have been presented in the statements of activities. During the year, such costs are allocated among program and support services by a method that best measures the relative degree of benefit. FilmLA uses facility square footage and employee full-time equivalents and salary dollars to allocate indirect costs.

(m) LEASES

FilmLA recognizes and measures its leases in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic No. 842, *Leases*. FilmLA is a lessee in one operating lease for its Los Angeles office and other equipment leases (see Note 9). FilmLA determines if an arrangement is a lease, or contains a lease, at inception of a contract and when the terms of an existing contract are changed. FilmLA recognizes a lease liability and a right-of-use (ROU) asset at the commencement date of the lease. The lease liability is initially and subsequently recognized based on the present value of its future lease payments. Variable payments are included in the future lease payments when those variable payments depend on an index or a rate. The discount rate is the implicit rate if it is readily determinable or otherwise the company uses the risk-free rate. The implicit rate of FilmLA's lease is not readily determinable and accordingly, FilmLA uses the risk-free rate based on the information available at the commencement date of the lease.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) LEASES (continued)

The ROU asset is subsequently measured throughout the lease term at the amount of the re-measured lease liability (i.e., present value of the remaining lease payments), plus unamortized initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

FilmLA has elected, for all underlying classes of assets, to not recognize ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less at lease commencement, and do not include an option to purchase the underlying asset that FilmLA is reasonably certain to exercise. FilmLA recognizes lease cost associated with short-term leases on a straight-line basis over the lease term.

(n) INCOME TAXES

FilmLA is a tax-exempt organization under Section 501(c)(4) of the Internal Revenue Code (the Code) and corresponding California provisions, as FilmLA qualifies as a charitable organization whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal or state income tax. FilmLA currently has no unrelated business income. Accordingly, no provision for federal or state income taxes has been recorded.

In accordance with FASB's ASC Topic No. 740, *Uncertainty in Income Taxes*, FilmLA recognizes the impact of tax positions in the financial statements if that position is more likely than not to be sustained on audit, based on the technical merits of the position. During the year ended June 30, 2024, FilmLA performed an evaluation of uncertain tax positions and did not note any matters that would require recognition in the financial statements or which might have an effect on its tax-exempt status.

(o) USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses at the date of and for the period presented. Actual results could differ from those estimates.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) COMPARATIVE INFORMATION

The financial statements include certain prior year summarized comparative information. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with FilmLA's financial statements for the year ended June 30, 2023, from which the summarized information was derived.

(q) NEW ACCOUNTING PRONOUNCEMENTS

In June 2016, FASB issued Accounting Standards Update No. 2016-13 (ASU 2016-13), *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss impairment methodology previously used for certain financial instruments with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates in their measurement. The guidance has subsequently been amended through a series of targeted ASUs. The Company implemented this ASU during the year ending June 30, 2024 using the modified retrospective method and adoption had no material impact on the financial statements.

(r) SUBSEQUENT EVENTS

FilmLA evaluated events and transactions occurring subsequent to the statement of financial position date of June 30, 2024 for items that should potentially be recognized or disclosed in these financial statements. The evaluation was conducted through December 13, 2024, the date these financial statements were available to be issued. No such material event or transactions were noted to have occurred.

NOTE 3 - INVESTMENTS

FilmLA has implemented the fair value accounting standard for those assets that are re-measured and reported at fair value at each reporting period. This standard establishes a single authoritative definition of fair value, sets out a framework for measuring fair value based on inputs used, and requires additional disclosures about fair value measurements. This standard applies to fair value measurements already required or permitted by existing standards.

In general, fair values determined by Level 1 inputs utilize quoted prices (unadjusted) in active markets for identical assets. Fair values determined by Level 2 inputs utilize data points that are observable such as quoted prices, interest rates and yield curves. Fair values determined by Level 3 inputs utilize unobservable data points for the asset and include situations where there is little, if any, market activity for the asset.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 3 - INVESTMENTS (continued)

The following table presents information about FilmLA's assets that are measured at fair value on a recurring basis at June 30, 2024 and indicates the fair value hierarchy of the valuation techniques utilized to determine such fair value:

	Year Ended June 30, 2024	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Money Market Funds	\$ 208,658	\$ 208,658	\$ -	\$ -
Bond Funds	4,958,414	4,958,414	-	-
Equity Funds	8,813,256	8,813,256	-	-
TOTAL INVESTMENTS	\$ 13,980,328	\$ 13,980,328	\$ -	\$ -

The following is a description of the valuation methodologies used for assets measured at fair value:

- **Money Market Funds:** Valued at carrying amount which approximates its fair value at year end and are classified as level 1.
- **Bond Funds:** Valued at the closing price reported on the active market on which the funds and bonds are traded and are classified as level 1.
- **Equity Funds:** Valued at the closing price reported on the active market on which the funds and bonds are traded and are classified as level 1.

NOTE 4 - PROPERTY AND EQUIPMENT

Property and equipment at June 30, 2024 consist of the following:

Software and Development Costs	\$ 3,613,800
Computer Equipment	3,329
Office Equipment	7,754
Furniture and Fixtures	44,748
Software Under Development	55,148
Leasehold Improvements	82,353
TOTAL	3,807,132
Less: Accumulated Depreciation and Amortization	<u>(2,811,823)</u>
TOTAL PROPERTY AND EQUIPMENT (NET)	<u>\$ 995,309</u>

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 4 - PROPERTY AND EQUIPMENT (continued)

Depreciation and amortization expense for the year ended June 30, 2024 was \$869,231. Software under development is related to the development of internal use software, which was completed in August 2024.

NOTE 5 - ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at June 30, 2024 consist of the following:

Accrued Salaries and Payroll Taxes	\$ 1,160,502
Other	<u>250,173</u>
TOTAL ACCOUNTS PAYABLE AND ACCRUED EXPENSES	<u>\$ 1,410,675</u>

NOTE 6 - DUE TO CONTRACTED PERMITTING AUTHORITIES

Amounts due to contracted permitting authorities at June 30, 2024 consist of the following:

City of Los Angeles	\$ 2,002,012
City of Glendale	170,668
County of Los Angeles	145,324
City of Santa Monica	116,999
Los Angeles Unified School District	104,167
Others	<u>52,359</u>
TOTAL DUE TO CONTRACTED PERMITTING AUTHORITIES	<u>\$ 2,591,529</u>

NOTE 7 - LINE OF CREDIT

FilmLA has a revolving line of credit providing maximum borrowings of \$1,000,000 with a bank, maturing December 10, 2024. Principal and any accrued and unpaid interest are due at maturity, with interest-only payments due monthly at the bank's variable prime rate plus 0.75%. The prime rate at June 30, 2024 was 8.50%. The line of credit is secured by all property and assets of FilmLA. There was no balance outstanding on the line of credit as of June 30, 2024.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 8 - RETIREMENT PLAN

FilmLA sponsors a 401(k) plan for the benefit of substantially all employees. Employees are eligible for the plan after one year of employment. FilmLA matches 100% of the first 3% and 50% of the next 2% of employee contributions, and may elect at plan year end to match up to a total of 6% of eligible compensation. Employer contributions for the year ended June 30, 2024 were \$220,672.

NOTE 9 - LEASES

FilmLA leases its office in Studio City, CA. FilmLA leases an office space under an operating lease with a term through March 2026. As of June 30, 2024, FilmLA recognized \$228,291 of right-of-use assets and \$229,315 of related lease liabilities for contracts that are classified as operating leases. Lease expense was \$445,428 for the year ended June 30, 2024.

The weighted-average remaining operating lease term and the weighted-average discount rate were as follows during the year ended June 30, 2024:

Weighted-Average Lease Term	1.75 years
Weighted-Average Discount Rate	4.16%

Maturities of lease liabilities as of June 30, 2024, are as follows:

Years Ending June 30	
2025	\$ 134,282
2026	<u>103,135</u>
Total Rent Payments	237,417
Less: Imputed Interest	<u>(8,102)</u>
TOTAL	<u><u>\$ 229,315</u></u>

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In the ordinary course of conducting its business, FilmLA may become involved in various legal proceedings. Some of these proceedings may result in judgments being assessed against FilmLA, which, from time to time, may have an impact on changes in net assets or its financial position. FilmLA does not believe that these proceedings individually, or in the aggregate, would have a material effect on the accompanying financial statements.

FilmLA

NOTES TO FINANCIAL STATEMENTS June 30, 2024

NOTE 11 - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions consist of undesignated and Board designated amounts for the following purposes at June 30, 2024:

Undesignated	\$ 6,009,618
Board Designated Capital Expenditures Reserves	1,000,000
Board Designated Operating Reserves	<u>6,616,713</u>
TOTAL NET ASSETS WITHOUT DONOR RESTRICTIONS	<u>\$ 13,626,331</u>

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES

The total financial assets held by FilmLA at June 30, 2024 and the amounts of those financial assets that could be made available for general expenditures within one year of the date of the statements of financial position are summarized in the following table:

Financial Assets at June 30, 2024:	
Cash and Cash Equivalents	\$ 2,082,495
Investments	13,980,328
Accounts Receivable	<u>1,038,981</u>
TOTAL FINANCIAL ASSETS AT JUNE 30, 2024	17,101,804
Less Amounts Not Available to Be Used Within One Year, Due to:	
Contractual Reserves	(1,943,698)
Board Designations:	
Capital Expenditures Reserves	(1,000,000)
Operating Reserves	<u>(6,616,713)</u>
FINANCIAL ASSETS AVAILABLE TO MEET GENERAL EXPENDITURES WITHIN ONE YEAR	<u>\$ 7,541,393</u>

FilmLA

NOTES TO FINANCIAL STATEMENTS **June 30, 2024**

NOTE 12 - LIQUIDITY AND AVAILABILITY OF FINANCIAL RESOURCES (continued)

FilmLA regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. FilmLA is substantially supported by services fees for permits and other services. As part of FilmLA's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

FilmLA has various sources of liquidity at its disposal, including cash and cash equivalents and marketable debt and equity securities. For purposes of analyzing resources available to meet general expenditures over a 12-month period, FilmLA considers accounts receivable balances expected to be collected in the next fiscal year as available for general expenditures. Additionally, FilmLA had \$1,000,000 of availability on its line of credit at June 30, 2024, (see Note 7). The line of credit, which matures on December 10, 2024, can be utilized to fund operations and is not included in financial assets available to meet general expenditures within one year.

FilmLA's investments are held for operations and reserves. The entire investment portfolio consists of highly liquid investments.

In the event of an unanticipated liquidity need, FilmLA's Board designated reserves totaling \$7,616,713 could be made available for use at the Board's discretion.